

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07

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COME-00 EB-07 LAB-04 SIL-01 STR-01 TRSE-00 /079 W

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TO SECSTATE WASHDC 8835

INFO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: ELAB, UK, PINT

SUBJECT: PRIME MINISTER WILSON INTERVENES IN CLASH BY
CABINET MEMBERS OVER SOCIAL CONTRACT

REF: (A) LONDON 2752; (B) LONDON 3023

1. BEGIN SUMMARY - PRIME MINISTER HAROLD WILSON REPORTEDLY
INTERVENED AFTER VERY SHARP DIFFERENCES WITHIN THE
CABINET OVER THE SOCIAL CONTRACT EXPLODED IN A PUBLIC
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CLASH BETWEEN SECRETARY OF STATE FOR EMPLOYMENT MICHAEL

FOOT AND SECRETARY OF STATE FOR EDUCATION REG PRENTICE.
THE PRIME MINISTER SUPPORTED AS JUSTIFIED FOOT'S BITTER
CONDEMNATION OF PRENTICE AFTER THE LATTER HAD DECLARED
THAT UNIONS MUST NOT "WELSH" ON THE SOCIAL CONTRACT.
THIS PUBLIC "LINEN WASHING" IS OBVIOUSLY EMBARRASSING
TO MR. WILSON AND UNLESS IT IS BROUGHT UNDER CONTROL,
IT COULD DEVELOP INTO A MORE SERIOUS CABINET SCHISM.
THE CONSERVATIVE OPPOSITION HAS ALREADY BEGUN TO EXPLOIT
THE VERBAL PUGILISTICS. END SUMMARY

2. THE PUBLIC AIRING OF WELL-KNOWN DIFFERENCES BETWEEN
THE TWO MEN HAS OBVIOUSLY EMBARRASSED MR. WILSON FOR IT
CLEARLY SERVES TO FORTIFY THE ARGUMENT OF THOSE WHO
BELIEVE THE SOCIAL CONTRACT IS A FAILED INSTRUMENT.
WHAT TRIGGERED THE DISPUTE WAS A SPEECH BY PRENTICE ON
FRIDAY NIGHT (FEBRUARY 28) WHEN HE REPORTEDLY DECLARED
THAT UNIONS MUST NOT "WELSH" ON THE SOCIAL CONTRACT BY
ACHIEVING (PRESUMABLY THE MINERS, AMONG OTHERS) OR
SEEKING (PRESUMABLY THE RAILWAY AND THE POWER SUPPLY
WORKERS) TO ACHIEVE SUPRA-CONTRACT SETTLEMENTS. A SOME-
WHAT LESS PROVOCATIVE SPEECH THE SAME NIGHT BY ROY
JENKINS, SECRETARY OF STATE FOR THE HOME DEPARTMENT,
WHICH CHARACTERIZED INFLATION AS "THE GREATEST ENEMY
SINCE HITLER" AND TOOK TO TASK THOSE WHO WOULD ACCEPT
INFLATION IN ORDER TO AVOID UNEMPLOYMENT (PRESUMABLY THE
TUC), DID NOT HELP TO PUT FOOT'S MIND AT REST.

3. IN THE EVENT, FOOT WAS FURIOUS. HE CALLED PRENTICE
AN "ECONOMIC ILLITERATE," ALTHOUGH NOT BY NAME, AND
CHARGED THAT PRENTICE HAD "FAILED TO TAKE INTO ACCOUNT
ALL THE PRESSURES AND PROBLEMS WHICH TRADE UNIONISTS
AND THEIR LEADERS HAVE TO FACE IN GRAPPLING WITH THE
IMMENSE AND COMPLICATED DIFFICULTIES FACING THE NATION.
HE CALLED THE USE OF THE TERM "WELSH" "OFFENSIVE."
FACED WITH THIS MAJOR OPEN BREACH WITHIN THE CABINET,
THE PRIME MINISTER MAY HAVE HAD LITTLE ALTERNATIVE THAN
TO ADMINISTER CHASTISEMENT TO PRENTICE, NOT ONLY FOR HIS
"FLAG-WAVING AT THE BULL" REMARKS, BUT FOR HIS FAILURE
TO CONSULT FOOT OR THE CHANCELLOR OF THE EXCHEQUER DENIS
HEALEY, BEFORE HE MADE HIS SPEECH. ACCORDING TO A
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REPORT BY PHILIP RAWSTORNE IN THE "FINANCIAL TIMES"
TODAY (MARCH 3), MR. WILSON MADE IT CLEAR THAT HE CON-
SIDERED MR. FOOT'S ANGRY REACTION TO MR. PRENTICE'S
SUGGESTION THAT SOME UNIONS WERE "WELSHING" ON THE
SOCIAL CONTRACT AS FULLY JUSTIFIED, AND THAT PRENTICE'S
CHOICE OF WORDS COULD CREATE MUCH MORE DIFFICULTY FOR
THE GOVERNMENT IN ITS ATTEMPTS TO PERSUADE UNION LEADERS
TO HONOR THE CONTRACT WITH GREATER WAGE RESTRAINT.

4. DAVID LEA, THE TUC'S CHIEF ECONOMIST, TOLD US THAT
"WE OF COURSE SIDE WITH FOOT. PRENTICE'S REMARKS WERE
UNCALLED FOR." HE NOTED THAT PRENTICE "WAS NOT EVEN A
MEMBER OF THE TUC-LABOR PARTY LIAISON COMMITTEE" AND HAS
SIMPLY "CREATED A TEMPEST IN A TEAPOT." "IF HE WANTS
TO RESIGN," HE ADDED, "ALL WELL AND GOOD, ALTHOUGH THE
TUC IS NOT CALLING FOR IT."

5. WHETHER IT IS A "TEMPEST IN A TEAPOT" AS LEA SUGGESTS,
REMAINS TO BE SEEN. DESPITE MR. WILSON'S REBUKE IT
WOULD NOT APPEAR LIKELY THAT PRENTICE WOULD PROFFER HIS

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RESIGNATION AT THIS TIME, ALTHOUGH SOME LABOR MINISTERS REPORTEDLY FEEL THAT MR. WILSON IS FACED WITH THE ALTERNATIVE OF DISCIPLINING PRENTICE OR RISKING FOOT'S RESIGNATION BY FAILING TO DO SO. PRENTICE IS STANDING HIS GROUND ON THE USE OF THE WORD "WELSH" AND REPORTEDLY DECLARED THAT HE HAS NOT SAID ANYTHING WHICH OTHER MINISTERS HAVE NOT SAID BEFORE. IT IS TRUE THAT APART FROM HIS TOUGH USE OF LANGUAGE IN PUBLIC, HIS VIEWS ARE NOT SO FUNDAMENTALLY DIFFERENT FROM SOME OF HIS COLLEAGUES, INCLUDING SUCH STALWARTS AS HEALEY, JENKINS,

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SHIRLEY WILLIAMS, CALLAGHAN AND CROSLAND, AND PERHAPS OTHERS, ALL OF WHOM HAVE EXPRESSED CONCERN IN ONE WAY OR ANOTHER ABOUT THE WAY IN WHICH THE SOCIAL CONTRACT HAS BEEN GOING. THE PRIME MINISTER, TOO, EXPRESSED HIS OWN CONCERN PUBLICLY AND FOOT HIMSELF, WHEN HE RECENTLY SPOKE TO THE CHARGE (REF A) ACCEPTED THE POSSIBILITY OF BUDGET CORRECTIVES IF INFLATION WERE TO CONTINUE AT A HIGH RATE. (MOST OF THOSE WHO SHARE PRENTICE'S GENERAL CONCERN, HOWEVER, DO NOT RELISH A HEAD-ON BATTLE WITH THE TUC OVER THE SOCIAL CONTRACT NOR DO THEY BELIEVE THAT THE TIME IS POLITICALLY RIPE FOR A RETURN TO STATUTORY CONTROLS, AND PERHAPS WOULD PREFER MORE SUBTLE MEASURES SUCH AS BUDGET ACTION, FOR ONE, TO DAMPEN DOWN INFLATION - REF B).

6. FOR THE MOMENT, IT WOULD APPEAR THAT THE SCHISM INHERENT IN THIS INCIDENT COULD BE CONTAINED. IT IS UNLIKELY THAT MR. WILSON WOULD SEEK TO OUST A RIGHT-WING CABINET MEMBER WHEN HE FAILED TO OUST LEFT-WINGERS, SUCH AS TONY BENN, WHEN THEY PROVOKED PUBLIC ROWS EARLIER. HOWEVER, INCREASING ECONOMIC AND SOCIAL TENSIONS COULD WIDEN THE INTERNAL BREACH IN THE CABINET.

7. IN THE MEANWHILE, THE CONSERVATIVES ARE HASTENING TO EXPLOIT THE PUBLIC DIFFERENCES. ELDON GRIFFITHS, SHADOW SECRETARY OF STATE FOR INDUSTRY, CABLED THE PRIME MINISTER URGING HIM TO "END THE CIVIL WAR" AND JOHN PEYTON, SHADOW LEADER OF THE COMMONS, MUSED: "ONE WONDERS HOW FAR THE PRIME MINISTER WILL BE ABLE TO STAND UP TO THIS SCHISM IN HIS CABINET?" IT APPEARS TO BE FAR SHORT OF A "CIVIL WAR" BUT THE QUARREL DOES NOT HELP THE PARTY -- ALREADY DIVIDED ON ANOTHER MAJOR ISSUE, THE EUROPEAN COMMUNITY -- A POINT ALSO NOT OVERLOOKED BY THE OPPOSITION.

RICHARDSON

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